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JOUTEL COPPER MINES LIMITED

(NO PERSONAL LIABILITY)

Annual Report

FOR THE YEAR ENDED DECEMBER 31st, 1968

Joutel Copper Mines Limited

(No PERSONAL LIABILITY)

DIRECTORS

K. BURN, Q.C.	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
E. FUTTERER	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
W. S. ROW	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario

OFFICERS

J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	President
E. FUTTERER	-	-	-	-	-	-	-	-	-	-	Vice-President and General Manager
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	Secretary
B. C. BONE	-	-	-	-	-	-	-	-	-	-	Treasurer
J. B. SAGE	-	-	-	-	-	-	-	-	-	-	Assistant Secretary
I. D. BAYER	-	-	-	-	-	-	-	-	-	-	Assistant Treasurer
D. B. CAMPBELL, Joutel, Quebec	-	-	-	-	-	-	-	-	-	-	Manager

HEAD OFFICE

SUITE 605 - 399 ST. JOSEPH STREET EAST
QUEBEC CITY, P.Q.

EXECUTIVE OFFICE

SUITE 1600 - 44 KING STREET WEST
TORONTO 1, ONTARIO

MINE OFFICE

JOUTEL, QUEBEC

TRANSFER AGENT AND REGISTRAR

THE ROYAL TRUST COMPANY
119 ADELAIDE STREET WEST, TORONTO 1, ONTARIO

ANNUAL MEETING

Tuesday, April 15th, 1969, at 10:30 a.m.
Le Chateau Champlain, Montreal, Quebec

Joutel Copper Mines Limited

(No Personal Liability)

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report for the year ended December 31, 1968. Included herein is the Manager's Report covering operations at the mine property.

Net income for the first full year of production was \$1,029,000 as compared to \$142,000 for the last five months in 1967. Working capital increased by \$1,831,000 during 1968 after spending \$237,000 on mine development and fixed assets and purchasing for retirement, \$280,000 of the 6% income debentures. It is anticipated that the operation will generate sufficient funds to complete retirement of the 6% income debentures during 1970. The three year period of exemption from federal taxes granted to new mines commenced on March 1, 1967.

It was generally anticipated that demand for copper would ease late in 1968 following termination in April of the long, industry-wide strikes in the United States. As a result, fabricators outside the U.S.A. reduced inventories in anticipation of lower prices. However, with the strength of worldwide economic activity in the last half of the year, buying pressure caused overseas prices to rise again. The U.S. price increased in January from 42¢ to 44¢ per pound. Although substantial new production is scheduled for 1969, the prices are expected to remain firm for some months.

It is gratifying to report that operating costs declined from \$7.21 per ton during the last five months of 1967 to \$6.55 per ton during the fourth quarter of 1968. This achievement reflects the excellent work of Mr. D. B. Campbell, Manager, his assistant, Mr. R. J. Beggs, and the entire staff and all employees.

On behalf of the Board,

J. H. STOVEL,
President.

January 31, 1969.

Joutel Copper

(No Personal Liability)

(Incorporated in the Province of Ontario)

BALANCE SHEET

(with comparative figures for 1967)

ASSETS

CURRENT:

	1968	1967
Cash and short-term notes	\$ 779,140	\$ 15,296
Accounts receivable	9,829	15,205
Smelter settlements, at estimated value	1,472,359	1,338,290
Prepaid expense	17,971	13,259
Inventory of supplies, at lower of cost and market	26,878	28,117
	<u>2,306,177</u>	<u>1,410,167</u>

DEFERRED:

Exploration, development and other expenditures, at cost less amortization (note 1)	2,827,766	3,399,321
Prepaid milling expenses	483,888	556,607
Hydro deposit	22,512	27,883
	<u>3,334,166</u>	<u>3,983,811</u>

FIXED:

Buildings and equipment, at cost	1,539,159	1,478,035
Less accumulated depreciation (note 1)	413,061	136,061
	<u>1,126,098</u>	<u>1,341,974</u>
Mining properties, at cost less amortization (note 1)	326,975	408,575
	<u>1,453,073</u>	<u>1,750,549</u>

OTHER:

Debenture discount, less amortization (note 1)	210,563	344,800
Incorporation expenses	3,000	3,000
	<u>213,563</u>	<u>347,800</u>
	<u>\$7,306,979</u>	<u>\$7,492,327</u>

AUDITORS' REPORT

To the Shareholders of

Joutel Copper Mines Limited:
(No Personal Liability)

We have examined the balance sheet of Joutel Copper Mines Limited (No Personal Liability) as at December 31, 1968, and the statements of operations and earned surplus, and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1968, the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 3, 1969.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Mines Limited

(Incorporated in the Province of Quebec)

(Incorporated in the Province of Quebec)

DECEMBER 31, 1968

(December 31, 1967)

LIABILITIES

CURRENT:	1968	1967
Demand loan payable		\$ 575,000
Accounts payable	\$ 130,195	214,518
Mining and other taxes payable	117,609	
Due to parent company, Kerr Addison Mines Limited		41,842
Estimated liability for roads and bridges		147,500
Accrued debenture interest payable	155,766	359,500
	<u>403,570</u>	<u>1,338,360</u>
LONG TERM:		
6% secured redeemable income debentures, maturing December 31, 1975 (secured by a first floating charge on the company's assets)	2,596,100	2,876,000
CAPITAL AND SURPLUS:		
Capital stock —		
Authorized:		
5,000,000 shares of a par value of \$1.00 each		
Issued:		
4,889,073 shares	4,889,073	4,889,073
Less discount	1,753,300	1,753,300
	<u>3,135,773</u>	<u>3,135,773</u>
Earned surplus	1,171,536	142,194
	<u>4,307,309</u>	<u>3,277,967</u>
On behalf of the Board:		
J. H. STOVEL, Director.		
EDWARD FUTTERER, Director.		
	<u>\$7,306,979</u>	<u>\$7,492,327</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1968

1. Depreciation and amortization charges

Depreciation and amortization with respect to mining claims and properties, buildings and equipment, and exploration, development and other expenditures are being provided on the basis of writing off such assets and expenditures over the estimated productive life of the mine. Debenture discount is being amortized over the period during which the company expects the income debentures to be outstanding.

2. Income taxes

No income taxes are payable on the current year's income as the company is exempt from these taxes for the three year period commencing March 1, 1967.

3. Remuneration of directors and officers

Remuneration was paid to directors and senior officers of \$400 and \$50,850 respectively in 1968 (\$400 and \$44,281 in 1967).

Joutel Copper Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for the period from date of commencement of production in commercial quantities on August 1, 1967, to December 31, 1967)

	1968	1967 (5 months)
Revenue from metal produced	\$4,150,682	\$1,566,607
EXPENSE:		
Cost of metal production	1,613,484	739,847
Administrative and corporate	61,697	42,526
Debenture interest	163,059	71,900
	1,838,240	854,273
Income before depreciation, amortization and mining taxes	2,312,442	712,334
DEPRECIATION AND AMORTIZATION:		
Exploration, development and other expenditures	699,000	344,654
Buildings and equipment	277,000	136,061
Mining properties	81,600	41,425
Debenture discount	115,200	48,000
	1,172,800	570,140
Provision for mining taxes	110,300	
	1,283,100	570,140
Net income for the period	1,029,342	142,194
Earned surplus, beginning of year	142,194	
Earned surplus, end of year	\$1,171,536	\$ 142,194

(See accompanying notes)

Joutel Copper Mines Limited

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for the year 1967)

	1968	1967
SOURCE:		
From operations —		
Net income from operations	\$1,029,342	\$ 142,194
Add items deducted in arriving at net income which did not involve an outlay of cash:		
Amortization of exploration, development and other expenditures	699,000	344,654
Provision for depreciation	277,000	136,061
Amortization of mining properties	81,600	41,425
Amortization of debenture discount	115,200	48,000
	2,202,142	712,334
Recovery of prepaid milling expenses	121,202	93,393
Reduction in hydro deposit	5,371	7,117
Total source of funds	2,328,715	812,844
APPLICATION:		
Redemption of income debentures	279,900	
Less related debenture discount	19,037	
	260,863	
Exploration, development and other expenditures	127,445	423,094
Purchase of fixed assets	61,124	220,779
Advances to Mines de Poirier Inc. for expansion of milling facilities	48,483	
Total funds applied	497,915	643,873
Increase in working capital	1,830,800	168,971
Working capital (deficiency), beginning of year	71,807	(97,164)
Working capital, end of year	\$1,902,607	\$ 71,807

(See accompanying notes)

Joutel Copper Mines Limited

(No Personal Liability)

MANAGER'S REPORT

TO THE PRESIDENT AND DIRECTORS:

The year 1968 represented the first full year of normal mine production. Production and development statistics are tabulated below:

	1968	1967
PRODUCTION		
Dry tons milled	242,403	186,786
Average dry tons per calendar day	662	593
Average grade of ore (% Cu.)	2.55	1.80
Concentrate Grade (% Cu.)	20.9	19.1
Recovery (%)	91.1	92.5
DEVELOPMENT		
Drifts and crosscuts (ft.)	1,596	4,523
Raises (ft.)	1,911	2,888
Blast-hole drilling (ft.)	59,586	166,259
Diamond drilling to detail ore (ft.)	29,145	41,276
Exploration diamond drilling (ft.)	7,902	—

After allowance for expected dilution, copper zone proven and probable ore reserves as of December 31, 1968 were estimated to be 1,000,000 tons grading 2.5% copper. This total includes 110,000 tons of broken ore underground.

A progressive change-over has been made from blast hole stoping to shrinkage stoping to permit more complete ore extraction and better control of dilution. At year end, production was from two blast hole stopes, three free-pull shrinkage stopes and two shrinkage stopes in the process of being mined.

A re-grind circuit was installed in the mill to improve metal recovery and concentrate grade. Although average milling performance for 1968 showed little change from the previous year, final quarter results indicate an improving trend.

A surface geophysical survey and diamond drilling programme was instituted. While no ore has been discovered, the programme is continuing.

Labour turnover, at 123% for the year, continues to be a serious problem, but shows improvement from the 242% turnover of 1967. At year end 38.5% of the employees had been with the company for more than one year.

While this high turnover contributed in no small degree to the 12 compensable accidents experienced during the year, I am pleased to report that no compensable accidents occurred in the fourth quarter.

A three year collective agreement covering the hourly rated employees became effective in January, 1969.

D. B. CAMPBELL,
Manager.

January 31, 1969.

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**JOUTEL
COPPER MINES
LIMITED**

**Interim
Report
for the six months
ended June 30,
1968**

JOUTEL COPPER MINES LIMITED

FINANCIAL SUMMARY

FOR THE SIX MONTHS ENDED JUNE 30, 1968

STATEMENT OF OPERATIONS

Dry Tons Milled	115,489
Average Grade of Ore (% Cu)	2.62
Copper Shipped (lbs.)	5,143,861
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Revenue from copper produced	\$1,959,763
Operating costs	872,891
Interest	92,072
Depreciation and amortization	578,400
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	1,543,363
Net Profit	<hr/>
	\$ 416,400
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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source:	Net profit from operations	\$ 416,400
	Depreciation and amortization	578,400
	Recovery of prepaid milling expenses	57,454
		<hr/>
		1,052,254
Application:	Retirement of 6% income debentures	171,999
	Exploration, development and other expenditures	75,116
	Fixed assets	35,362
		<hr/>
		282,477
Increase in working capital		<hr/>
		\$ 769,777
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NOTE: No comparable figures are presented for the previous interim period as production in commercial quantities did not start until the second half of 1967.